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1 UNITED STATES PATENT AND TRADEMARK OFFICE

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4 BEFORE THE BOARD OF PATENT APPEALS
5 AND INTERFERENCES

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8 *Ex parte DAVID J. MESTER*

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11 Appeal 2007-4507
12 Application 10/617,472
13 Technology Center 3600

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16 Decided: September 8, 2008

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19 Before HUBERT C. LORIN, ANTON W. FETTING, and JOSEPH
20 A. FISCHETTI, *Administrative Patent Judges.*

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22 FETTING, *Administrative Patent Judge.*

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25 DECISION ON APPEAL

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27 STATEMENT OF THE CASE

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30 David J. Mester (Appellant) seeks review under 35 U.S.C. § 134 of a
31 final rejection of claims 1-20, the only claims pending in the application on
 appeal.

1 We have jurisdiction over the appeal pursuant to 35 U.S.C. § 6(b)
2 (2002).

3

4 We AFFIRM.

5 The Appellant invented a way of processing customer claims seeking
6 repair or replacement after the expiration of a manufacturer's warranty
7 period or claims seeking recovery of ancillary costs incurred during the
8 warranty period against manufactured products. (Specification:¶ 0002).

9 An understanding of the invention can be derived from a reading of
10 exemplary claim 1, which is reproduced below [bracketed matter and some
11 paragraphing added].

12 1. A method of processing a customer claim against a
13 manufacturer's product, said method includes the steps of:

14 [1] inputting the claim

15 through a computer

16 to a database

17 at a first management level;

18 [2] determining the monetary value of the claim;

19 [3] approving or denying the claim at the first management
20 level

21 when the monetary value of the claim is below a first
22 predetermined level;

23 [4] a second management level

24 acting to review

25 all claims input at the first management level and
26 acting to approve or deny the claim

27 when the monetary value of the claim is

28 above the first predetermined level and
29 below a second predetermined level;

30 [5] and a third management level

31 acting to review

32 all claims input at the first and second management
33 levels and

1 acting to approve or deny the claim
2 when the monetary value of the claim is above the
3 second predetermined level.

4 This appeal arises from the Examiner's final Rejection, mailed
5 January 26, 2006. The Appellant filed an Appeal Brief in support of the
6 appeal on June 5, 2006. An Examiner's Answer to the Appeal Brief was
7 mailed on August 28, 2006.

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PRIOR ART

10 The Examiner relies upon the following prior art:

11 Barr	US 5,182,705	Jan. 26, 1993
12 Luedtke	US 2003/0018497 A1	Jan. 23, 2003
13 Hicks	US 2004/0111379 A1	Jun. 10, 2004

14

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REJECTIONS

16 Claims 1-13, 15, 16, and 18-20 stand rejected under 35 U.S.C. §
17 103(a) as unpatentable over Hicks and Barr.

18 Claims 14 and 17 stand rejected under 35 U.S.C. § 103(a) as
19 unpatentable over Hicks, Barr, and Luedtke.

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21

ISSUES

22 The issues pertinent to this appeal are

- 23 • Whether the Appellant has sustained its burden of showing that the
24 Examiner erred in rejecting claims 1-13, 15, 16, and 18-20 under 35
25 U.S.C. § 103(a) as unpatentable over Hicks and Barr.
- 26 • Whether the Appellant has sustained its burden of showing that the
27 Examiner erred in rejecting claims 14 and 17 under 35 U.S.C. §
28 103(a) as unpatentable over Hicks, Barr, and Luedtke.

The pertinent issue turns on whether Barr and Hicks describe or suggest hierarchical processing of customer claims.

FACTS PERTINENT TO THE ISSUES

The following enumerated Findings of Fact (FF) are believed to be supported by a preponderance of the evidence.

Hicks

01. Hicks is directed to a highly secure system for identifying parties over electronic networks. Member institutions create an entity, referred to as the root entity, to establish a global, interoperable network of financial institutions which operate as certification authorities. As such, each participating financial institution (each, a "participant") issues digital certificates to customers and corporations and their employees, based on a set of uniform system rules and business practices (Hicks ¶ 0003).
02. One of the principle functions of the Hicks system is to provide warranties and assurances to participants in the network to limit exposure as a result of warranty issuance. Warranty in the system is defined as a warranty of certificate content and validity of certificate at time of issuance. To ensure the viability of these warranties, the system design imposes aggregate limits on the exposure that any issuing participant may incur through explicit warranties granted with respect to identity certificates issued by that institution (Hicks ¶ 0041).

- 1 03. Hicks relies on a trusted hierarchy for validating certificates.
- 2 An issuing participant is the primary obligor on warranties, while
- 3 a relying participant acts as an agent (Hicks ¶ 0105).
- 4 04. In Hicks, if an issuing participant agrees to issue a warranty,
- 5 then the issuing participant updates its total outstanding issuance
- 6 against its cap to reflect the new activity. At the end of the day, or
- 7 as required, issuing participant exports current status of its
- 8 warranty cap to root entity's Warranty Cap and Collateral
- 9 Manager (WCCM) which reflects all warranty certificates issuing
- 10 participant issued that day (Hicks ¶ 0129).
- 11 05. If a customer files a claim within the warranty time limit with a
- 12 relying participant, then the relying participant notifies the
- 13 corresponding issuing participant of a filed claim (Hicks ¶ 0147).
- 14 06. The relying participant notifies the both root entity, and issuing
- 15 participant's WCCM of the filed claim and the amount of claim.
- 16 The issuing participant determines whether it will pay. A root
- 17 entity sets conditions under which claims against warranties shall
- 18 be paid. The intent is to make sure there is a gold standard for
- 19 business. Each warranty issuer is provided the latitude to evaluate
- 20 and dispose of claims using its own procedures. However,
- 21 minimum standard criteria are established under which claims
- 22 would be paid (Hicks ¶ 0148).
- 23 07. If an issuing participant decides to pay the warranty claim, then
- 24 the issuing participant informs relying participant of its decision
- 25 (Hicks ¶ 0152).

26 *Barr*

- 1 08. Barr is directed to substantially automating work management.
- 2 To illustrate Barr's capabilities, Barr relies on the example of
- 3 processing of claims. Barr explicitly contemplates the application
- 4 of its system to other work environments (Barr 3:5-11).
- 5 09. Barr uses a Staff Table to provide, online, a record for each
- 6 member of the claim staff. Each record includes the current title,
- 7 diary limit, authority level and supervisor of the staff member as
- 8 well as the maximum case load of that member. The Staff Table
- 9 function is integrated with virtually every other system function.
- 10 The authority level, diary limit, and caseload limits of each staff
- 11 member are set by supervisors with appropriate authority and
- 12 entered into the Staff Tables. These records can be modified,
- 13 deleted or added as necessary (Barr 7:3-16).
- 14 10. When a payment transaction is processed, the system is advised
- 15 to accept the transaction and to proceed with the necessary steps to
- 16 print the check. If a claim handler's authority is exceeded by the
- 17 amount of the payment, it is necessary for a supervisor to review
- 18 the payment transaction before it is processed. Thus, the routing
- 19 of the unprocessed payment transaction to a supervisor insures
- 20 that the necessary authority will be secured prior to the printing of
- 21 the check. If a handler attempts to process a check for more than
- 22 his authorized amount, an alert message is generated and the
- 23 transaction is automatically routed to a supervisor (Barr 52:45-58).

24 *Luedtke*

- 25 11. Luedtke is directed to administering automatic type reinsurance
- 26 contracts (Luedtke ¶ 0001).

12. The purpose of insurance is to redistribute risks. Insurers or risk carriers assume portions of the risks of their customers or insureds in exchange for premiums (Luedtke ¶ 0002).

Facts Related To The Level Of Skill In The Art

13. Neither the Examiner nor the Appellant has addressed the level of ordinary skill in the pertinent arts of management information systems, financial internal controls, business management and organization design, and claims administration systems. We will therefore consider the cited prior art as representative of the level of ordinary skill in the art. *See Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001) (“[T]he absence of specific findings on the level of skill in the art does not give rise to reversible error ‘where the prior art itself reflects an appropriate level and a need for testimony is not shown’”) (quoting *Litton Indus. Prods., Inc. v. Solid State Sys. Corp.*, 755 F.2d 158, 163 (Fed. Cir. 1985)).

Facts Related To Secondary Considerations

14. There is no evidence on record of secondary considerations of non-obviousness for our consideration.

PRINCIPLES OF LAW

Claim Construction

During examination of a patent application, pending claims are given their broadest reasonable construction consistent with the specification. *In re Prater*, 415 F.2d 1393, 1404-05 (CCPA 1969); *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004).

1 Limitations appearing in the specification but not recited in the claim
2 are not read into the claim. *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d
3 1364, 1369 (Fed. Cir. 2003) (claims must be interpreted “in view of the
4 specification” without importing limitations from the specification into the
5 claims unnecessarily).

6 Although a patent applicant is entitled to be his or her own
7 lexicographer of patent claim terms, in *ex parte* prosecution it must be
8 within limits. *In re Corr*, 347 F.2d 578, 580 (CCPA 1965). The applicant
9 must do so by placing such definitions in the Specification with sufficient
10 clarity to provide a person of ordinary skill in the art with clear and precise
11 notice of the meaning that is to be construed. *See also In re Paulsen*, 30
12 F.3d 1475, 1480 (Fed. Cir. 1994) (although an inventor is free to define the
13 specific terms used to describe the invention, this must be done with
14 reasonable clarity, deliberateness, and precision; where an inventor chooses
15 to give terms uncommon meanings, the inventor must set out any
16 uncommon definition in some manner within the patent disclosure so as to
17 give one of ordinary skill in the art notice of the change).

18 *Claim Preamble*

19 “[A] claim preamble has the import that the claim as a whole suggests
20 for it.” *Bell Communications Research, Inc. v. Vitalink Communications
21 Corp.*, 55 F.3d 615, 620 (Fed. Cir. 1995). If the claim preamble, when read
22 in the context of the entire claim, recites limitations of the claim, or, if the
23 claim preamble is “necessary to give life, meaning[,] and vitality” to the
24 claim, then the claim preamble should be construed as if in the balance of
25 the claim. *Kropa v. Robie*, 187 F.2d 150, 152 (CCPA 1951).

If, however, the body of the claim fully and intrinsically sets forth the complete invention, including all of its limitations, and the preamble offers no distinct definition of any of the claimed invention's limitations, but rather merely states, for example, the purpose or intended use of the invention, then the preamble is of no significance to claim construction because it cannot be said to constitute or explain a claim limitation.

Pitney Bowes, Inc. v. Hewlett-Packard Co., 182 F.3d 1298, 1305 (Fed. Cir. 1999).

Obviousness

A claimed invention is unpatentable if the differences between it and the prior art are “such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art.” 35 U.S.C. § 103(a) (2000); *KSR Int'l v. Teleflex Inc.*, 127 S.Ct. 1727, 1729-30 (2007); *Graham v. John Deere Co.*, 383 U.S. 1, 13-14 (1966).

In *Graham*, the Court held that the obviousness analysis is bottomed on several basic factual inquiries: “[1] the scope and content of the prior art are to be determined; [(2)] differences between the prior art and the claims at issue are to be ascertained; and [(3)] the level of ordinary skill in the pertinent art resolved.” 383 U.S. at 17. See also *KSR Int'l v. Teleflex Inc.*, 127 S.Ct. at 1734. “The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.” *KSR*, at 1739.

“When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field

1 or a different one. If a person of ordinary skill can implement a predictable
2 variation, § 103 likely bars its patentability.” *Id.* at 1740.

3 “For the same reason, if a technique has been used to improve one
4 device, and a person of ordinary skill in the art would recognize that it would
5 improve similar devices in the same way, using the technique is obvious
6 unless its actual application is beyond his or her skill.” *Id.*

7 “Under the correct analysis, any need or problem known in the field
8 of endeavor at the time of invention and addressed by the patent can provide
9 a reason for combining the elements in the manner claimed.” *Id.* at 1742.

10 *Automation of a Known Process*

11 It is generally obvious to automate a known manual procedure or
12 mechanical device. Our reviewing court stated in *Leapfrog Enterprises Inc.*
13 v. *Fisher-Price Inc.*, 485 F.3d 1157 (Fed. Cir. 2007) that one of ordinary
14 skill in the art would have found it obvious to combine an old
15 electromechanical device with electronic circuitry

16 to update it using modern electronic components in
17 order to gain the commonly understood benefits of
18 such adaptation, such as decreased size,
19 increased reliability, simplified operation, and
20 reduced cost. . . . The combination is thus the
21 adaptation of an old idea or invention
22 . . . using newer technology that is commonly
23 available and understood in the art.

24 *Id.* at 1163.

25 *Obviousness and Nonfunctional Descriptive Material*

26 Nonfunctional descriptive material cannot render nonobvious an
27 invention that would have otherwise been obvious. *In re Ngai*, 367 F.3d
28 1336, 1339 (Fed. Cir. 2004). Cf. *In re Gulack*, 703 F.2d 1381, 1385 (Fed.
29 Cir. 1983) (when descriptive material is not functionally related to the

1 substrate, the descriptive material will not distinguish the invention from the
2 prior art in terms of patentability).

ANALYSIS

Claims 1-13, 15, 16, and 18-20 rejected under 35 U.S.C. § 103(a) as unpatentable over Hicks and Barr.

Claim 1

The Examiner found that Hicks described steps [1] and [2] of claim 1, and the approving or denying part of step [3] and that Barr described the tiered approval level portion of step [3] and step [4] and that Barr's tiered approval levels suggested step [5] of claim 1. The Examiner found that Barr suggested applying such tiered levels to Hicks for the purpose of more detailed processing according to levels of authority, and concluded that it was obvious to apply Barr to Hicks to produce the steps of claim 1 (Answer 3-4).

15 The Appellant contends that Hicks does not concern itself with claims
16 against a manufacturer's product, access a monetary value of a claim or
17 process it through a predetermined series of management levels (Br. 13:Top
18 ¶). The Appellant further argues that neither reference describe these, and
19 also do not describe the second and third levels in claim 1 (Br. 15:Last full
20 ¶). The Appellant also argues that the references do not suggest the claim as
21 a whole, but require one to pick and choose based on hindsight (Br.
22 19:Second full ¶) and that Barr's processing is not necessarily hierarchical,
23 but even if it was, combining Barr with Hicks would not result in a logical
24 and usable system (Br. 20:Bottom ¶ - 21:Top ¶).

We disagree with the Appellant's contentions. Hicks produces digital certificates and provides warranties for their validity (FF 02). Such digital

1 certificates are within the scope of the broad term “manufacturer's product”
2 in claim 1, since the certificates are produced. Hicks enters claims via the
3 relying participant to the issuing participant, which may be designated as a
4 first level (FF 05 & 06). This entry includes the amount of the claim (FF
5 06). Thus, Hicks' issuing participant accesses the monetary value of a claim
6 when processing. Hicks explicitly relies upon hierarchical processing for
7 validating certificates (FF 04), so Hicks does at least describe the use of
8 hierarchical techniques in business processing.

9 Barr is directed to substantially automating work management and
10 uses the processing of claims as an example (FF 08). Barr relies upon
11 authority levels for different staff members to apportion work. Barr also
12 uses a supervisory hierarchy to manage work. This hierarchy and authority
13 level scheme are stored in a staff table (FF 09). Claims beneath a staff
14 member's authority level are processed by that staff member, but claims
15 above that level are reviewed by the staff member's supervisor (FF 10).
16 Although Barr does not explicitly describe more than one level of
17 supervision, common sense and common accounting practice of internal
18 control suggests that where such different levels of authorization exist, the
19 authorization required escalates with significant escalation in amount. For
20 example, a claim of an order of magnitude comparable to a sizable portion
21 of an organization's net worth would likely require senior management level
22 approval, and would certainly be beyond a first level supervisor's authority
23 level. Thus, Barr's first level of supervisory approval suggests the internal
24 control of matching signatory levels with authority levels and therefore
25 suggests additional signatory levels above a first level.

1 Since Barr teaches techniques for automating work processes, such as
2 those in Hicks, no hindsight would be required to apply Barr to Hicks, only
3 the rudimentary analysis of where the workflow in Hicks occurs to which
4 Barr might apply. This is clearly within the capacity of one of ordinary skill
5 in the management arts. Since Barr's description of hierarchical approval
6 levels for claim processing is merely an example of good internal control in
7 the business management arts, one of ordinary skill would have seen its
8 application to claim processing in Hicks.

9 *Claims 19 and 20*

10 Claims 19 and 20 contain the steps of claim 1 and also add a fourth
11 level, not necessarily hierarchical, of reviewing claims for accuracy and
12 completeness and informing the customer when a claim is denied. Claim
13 19's preamble adds that a claim is for repair or replacement after warranty
14 expiration and claim 20's preamble adds that the claim is for ancillary costs
15 under the warranty period.

16 The Examiner found that Hicks teaches these time frames (Answer 7)
17 and such a fourth level (Answer 11). The Examiner also found that the
18 preamble limitations were mere field of use limitations to be afforded no
19 patentable weight (Answer 12). The Appellant contends that the art fails to
20 describe these limitations, and that the use of the term "claim" in the body of
21 the claims requires that the preamble limitations be given patentable weight
22 (Br. 15:Bottom ¶ - 16:First ¶; 21:Second full ¶).

23 We disagree that these arguments show patentability. First, we take
24 up the preamble limitations. We find that the bodies of claims 19 and 20
25 fully and intrinsically set forth the complete invention, including all of their
26 limitations, and the preambles offer no distinct definition of any of the

1 claimed invention's limitations, but rather merely state, for example, the
2 purpose or intended use of the invention. The preambles are thus of no
3 significance to claim construction because they cannot be said to constitute
4 or explain a claim limitation. *Pitney Bowes, Inc. v. Hewlett-Packard Co.*,
5 182 F.3d 1298, 1305 (Fed. Cir. 1999). The Appellant's argument that the
6 bodies of the claim use the word "claim" is misplaced, because the steps in
7 the body are fully set forth irrespective of what the claim may be for. The
8 nature of the claim has no functional effect upon the steps.

9 Now to the fourth level claimed. We find the step performed by this
10 level is essentially an accounting services function, which, like the use of
11 authorization levels, is merely proper exercise of accounting internal
12 controls, in this case, having independent verification of accounting
13 transactions. As the Examiner found, Hicks describes having such
14 independent verification by a Warranty Cap and Collateral Manager
15 (WCCM) (FF 04 & 06). Although the WCCM does not inform the customer
16 of claim denials, basic internal control practice of relying on a disinterested
17 party to communicate adverse decisions to a customer would have made this
18 a predictable part of the accounting services level. "The combination of
19 familiar elements according to known methods is likely to be obvious when
20 it does no more than yield predictable results." *KSR*, 127 S.Ct. at 1739.

21 *Claims 2-13, 15, 16, and 18*

22 The Appellant relied upon its arguments in support of the independent
23 claims for support of the patentability of the dependent claims, and we
24 therefore find the Appellant has not overcome its burden as to the dependent
25 claims for the same reasons.

1 The Appellant has not sustained its burden of showing that the
2 Examiner erred in rejecting claims 1-13, 15, 16, and 18-20 under 35 U.S.C.
3 § 103(a) as unpatentable over Hicks and Barr.

4 *Claims 14 and 17 rejected under 35 U.S.C. § 103(a) as unpatentable over*
5 *Hicks, Barr, and Luedtke.*

6 The Appellant relied upon its arguments in support of the independent
7 claims for support of the patentability of the dependent claims, and we
8 therefore find the Appellant has not overcome its burden as to those
9 arguments for the same reasons. The Appellant also argued that Luedtke is
10 entirely distinct from the other references (Br. 16:Last full ¶). On its face,
11 this argument is no more than that Luedtke is a distinct reference. Since this
12 rejection is over a combination of references, such an argument has little
13 probative value. To the extent the Appellant is arguing that Luedtke is
14 distinct as non-analogous, we find that Luedtke is directed to insurance (FF
15 11). Insurance is the assumption of risk (FF 12). Since both Hicks and Barr
16 discuss such assumption of risk, Luedtke is at least in a similar field of
17 endeavor in designing systems to assist in the business of the assumption of
18 risk.

19 The Appellant has not sustained its burden of showing that the
20 Examiner erred in rejecting claims 14 and 17 under 35 U.S.C. § 103(a) as
21 unpatentable over Hicks, Barr, and Luedtke.

22
23 **CONCLUSIONS OF LAW**

24 The Appellant has not sustained their burden of showing that the
25 Examiner erred in rejecting claims 1-20 under 35 U.S.C. § 103(a) as
26 unpatentable over the prior art.

On this record, the Appellant is not entitled to a patent containing claims 1-20.

3

DECISION

To summarize, our decision is as follows:

- The rejection of claims 1-13, 15, 16, and 18-20 under 35 U.S.C. § 103(a) as unpatentable over Hicks and Barr is sustained.
 - The rejection of claims 14 and 17 under 35 U.S.C. § 103(a) as unpatentable over Hicks, Barr, and Luedtke is sustained.

10 No time period for taking any subsequent action in connection with
11 this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv) (2007).

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AFFIRMED

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BLISS MCGLYNN, P.C.

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SUITE 600

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